

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 2, 2000

Harmonic Inc.

(Exact name of registrant as specified in its charter)

Delaware	0-25826	77-0201147
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
549 Baltic Way, Sunnyvale, CA		94089
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (408) 542-2500

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

On May 2, 2000, C-Cube Semiconductor Inc., a Delaware corporation ("Semi") and its wholly-owned subsidiary, C-Cube Semiconductor II Inc., a Delaware corporation ("Semi"), entered into a Promissory Note, a Pledge Agreement and a Parent Guaranty (collectively the "Financing Agreements") with C-Cube Microsystems Inc., a Delaware corporation ("C-Cube"). The Promissory Note has been executed by Semi II in favor of C-Cube and is guaranteed by Semi pursuant to the Parent Guaranty which is secured by the pledge to C-Cube of the stock of Semi II owned by Semi.

Harmonic Inc. (the "Registrant"), consummated its merger with C-Cube on May 3, 2000. Attached as Exhibit 99.4 is a copy of the Registrant's press release announcing the closing of the merger. As a result of the merger, the Registrant has assumed all the rights and obligations of C-Cube under the Financing Agreements. The amount of the debt under the Promissory Note will be determined by the amount of the tax liability arising in connection with the distribution of the stock of Semi by C-Cube less available cash reserves set aside for such tax liability. This tax liability will be calculated using the volume-weighted average trading price of Semi Common Stock on May 3, 2000, which will be the first day Semi trades on the Nasdaq National Market. If the calculation had been made using the closing price of Semi Common Stock trading on a when-issued basis on May 2, 2000, or \$24.31 per share, the amount of the debt under the Promissory Note would have been approximately \$200 million. Copies of the Financing Agreements are attached hereto as Exhibits 99.1, 99.2 and 99.3 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

- 99.1 C-Cube Semiconductor II Inc. Promissory Note dated May 2, 2000.
- 99.2 Pledge Agreement between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc. dated May 2, 2000.
- 99.3 Parent Guaranty executed by C-Cube Semiconductor Inc. in favor of C-Cube Microsystems Inc. dated May 2, 2000.
- 99.4 Press Release, dated May 3, 2000 announcing the merger of C-Cube Microsystems Inc. with and into Harmonic Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 4, 2000

HARMONIC INC.

Name /s/ ANTHONY J. LEY

Title Chairman, President and Chief
Executive Officer

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INDEX TO EXHIBITS

Exhibit Number -----	Description of Document -----
99.1	Promissory Note dated May 2, 2000.
99.2	Pledge Agreement between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc. dated May 2, 2000.
99.3	Parent Guaranty between C-Cube Microsystems Inc. and C-Cube Semiconductor Inc. dated May 2, 2000.
99.4	Press Release, dated May 3, 2000 announcing the merger of C-Cube Microsystems Inc. with and into Harmonic Inc.

C-CUBE SEMICONDUCTOR II INC.

PROMISSORY NOTE

Palo Alto, California

May 2, 2000
12:15 p.m.

FOR VALUE RECEIVED C-Cube Semiconductor II Inc., a Delaware corporation ("Company") promises to pay to C-Cube Microsystems Inc. ("Holder"), or its registered assigns, a principal sum equal to the Adjusted Principal Amount, or such lesser amount as shall equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid principal balance at a rate equal to fifteen percent (15.00%) per annum, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earlier of (i) June 29, 2000 (the "Due Date"), or (ii) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are declared due and payable by Holder or made automatically due and payable in accordance with the terms hereof.

The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. DEFINITIONS. As used in this Note, the following capitalized terms have the following meanings:

"Adjusted Principal Amount" has the meaning given in the Waiver Agreement, dated as of the date hereof, between C-Cube Microsystems Inc. and Harmonic Inc.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transaction) in one transaction or a series of related transactions by the Company or any of its subsidiaries to any Person other than the Company or any of its subsidiaries of (i) all or any of the capital stock of any subsidiary, (ii) all or substantially all of the property and assets of a division or line of business of the Company or any of its subsidiaries or (iii) any other property and assets of the Company or any of its subsidiaries outside the ordinary course of business of the Company or such subsidiary.

"Company" includes the corporation initially executing this Note and any Person which shall succeed to or assume the obligations of Company under this Note.

"Event of Default" has the meaning given in Section 4 hereof.

"Financial Statements" shall mean, with respect to any accounting period for any Person, statements of operations, retained earnings and cash flow of such Person for such period, and balance sheets of such Person as of the end of such period, setting forth in each case in comparative

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form figures for the corresponding period in the preceding fiscal year if such period is less than a full fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding fiscal year, all prepared in reasonable detail and in accordance with GAAP. Unless otherwise indicated, each reference to Financial Statements of any Person shall be deemed to refer to Financial Statements prepared on a consolidated basis.

"GAAP" shall mean generally accepted accounting principles as in effect in the United States of America from time to time.

"Governmental Authority" shall mean any nation, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of government, including any tribunal or arbitrator(s) of competent jurisdiction.

"Holder" shall mean the Person specified in the introductory paragraph of this Note or any Person who shall at the time be the registered holder of this Note.

"Indebtedness" shall mean and include the aggregate amount of, without duplication (i) all obligations for borrowed money, (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations to pay the deferred purchase price of property or services (other than accounts payable incurred in the ordinary course of business determined in accordance with GAAP), (iv) all obligations with respect to capital leases, (v) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (vi) all reimbursement and other payment obligations, contingent or otherwise, in respect of letters of credit and similar surety instruments, and (vii) all guaranty obligations with respect to the types of Indebtedness listed in clauses (i) through (vi) above.

"Lien" shall mean any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement or any lease in the nature thereof) and any agreement to give or refrain from giving any of the foregoing.

"Net Cash Proceeds" shall mean (a) with respect to any Asset Sale by any Person, cash or cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any other consideration received in the form of assumption by the acquiror of Indebtedness or other obligations relating to such properties or assets) therefrom by such Person, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred and all federal, state, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Sale, and (ii) appropriate amounts to be provided by such Person as a reserve in accordance with generally accepted accounting principals against any liabilities associated with such assets and retained by such Person after such Asset Sale, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Sale; and (b) with respect to a debt or equity financing, the proceeds of such financing in the form of cash or cash equivalents, net of attorney's fees, accountant's fees and brokerage, consultation, underwriting, bank and other fees and expenses actually incurred in connection with such financing and, with respect to debt financing, net of any proceeds required by

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the terms of such financing to be held in an escrow account for the payment of interest and to secure amounts due with respect to such debt financing.

"Obligations" shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Company to Holder of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), now existing or hereafter arising under or pursuant to the terms of this Note and the other Transaction Documents, including, all interest, fees, charges, expenses, attorneys' fees and costs and accountants' fees and costs chargeable to and payable by Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United States Code (11 U. S. C. Section 101 et seq.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

"Parent Guaranty" shall mean the Parent Guaranty, dated as of the date hereof, executed by C-Cube Semiconductor Inc. in favor of Lender.

"Person" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

"Stock Pledge Agreement" shall mean the Stock Pledge Agreement, dated as of the date hereof, executed by C-Cube Semiconductor Inc. in favor of Lender.

"Transaction Documents" shall mean this Note, the Parent Guaranty and the Stock Pledge Agreement.

2. REPAYMENTS AND PAYMENTS OF PRINCIPAL AND INTEREST ON NOTES.

2.1 Interest. Interest is payable in cash on the earlier of the last business day of each calendar quarter and the Due Date.

2.2 Optional Prepayments of Note. The Company may, at its option, prepay all or, from time to time, part of the Note, at the principal amount so prepaid without penalty or premium, together with interest on the principal amount so prepaid accrued to the date fixed for such prepayment.

2.3 Notice of Prepayment to Holders. Not less than five (5) nor more than ten (10) days prior to the date fixed for each optional prepayment, the Company shall give notice thereof to the registered Holder, specifying the date fixed for prepayment and the aggregate principal amount to be prepaid on such date. Such notice shall also contain instructions for the delivery of the Note by the Holder to the Company. Such notice shall be irrevocable.

2.4 Mandatory Prepayments of Note. The Company shall prepay all or, from time to time, part of the Note, at the principal amount so prepaid without penalty or premium, together with

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interest on the principal amount so prepaid accrued to the date fixed for such prepayment within two business days of the consummation by the Company or C-Cube Semiconductor Inc. ("Parent") of (i) a debt or equity financing transaction with gross proceeds to the Company or Parent of at least One Hundred Million Dollars (\$100,000,000) or (ii) an Asset Sale (other than an Asset Sale governed by the provisions of Section 3.4) having net proceeds in excess of Twenty-Five Million Dollars (\$25,000,000). The amount of any such mandatory prepayment shall be equal to the Net Cash Proceeds of such debt or equity financing transaction or Asset Sale.

3. CERTAIN COVENANTS. While any amount of principal or interest is outstanding under the Note:

3.1 Information Rights: Notices. Company shall furnish to Holder the following:

(a) Quarterly Financial Statements. Within forty-five (45) days after the last day of each quarter, a copy of the Financial Statements of Company for such quarter and for the fiscal year to date, certified by the chief financial officer or controller of Company to present fairly the financial condition, results of operations and other information presented therein and to have been prepared in accordance with GAAP consistently applied, subject to normal year end adjustments and except that no footnotes need be included with such Financial Statements;

(b) Annual Financial Statements. Within ninety (90) days after the close of each fiscal year of Company, (i) copies of the audited Financial Statements of Company for such year, audited by nationally recognized independent certified public accountants, (ii) copies of the unqualified opinions and management letters delivered by such accountants in connection with such Financial Statements, and (iii) a report containing a description of projected business prospects (including capital expenditures) and management's discussion and analysis of financial condition and results of operation of Company and its Subsidiaries;

(c) SEC Reports. As soon as possible and in no event later than five (5) Business Days after they are sent, made available or filed, copies of all registration statements and reports filed by Company with the Securities and Exchange Commission and all reports, proxy statements and financial statements sent or made available by Company to its shareholders generally; and

(d) Notice of Defaults. Promptly upon the occurrence thereof, written notice of the occurrence of any Event of Default hereunder.

3.2 Inspection Rights. Holder and its representatives shall have the right, at any time during normal business hours, upon reasonable prior notice, to visit and inspect the properties of Company and its corporate, financial and operating records, and make abstracts therefrom, and to discuss Company's affairs, finances and accounts with its directors, officers and independent public accountants.

3.3 Limitation on Sale and Leaseback Transactions. The Company may not enter into any direct or indirect arrangement pursuant to which its property is sold or transferred by the

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Company and is thereafter leased back from the purchaser thereof by the Company without the prior written consent of Holder.

3.4 Company May Consolidate, etc., Only on Certain Terms.

(a) The Company shall not consolidate with or merge into any other Person or, directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of its properties and assets to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer, sell, lease or otherwise dispose of all or substantially all of its properties and assets to the Company, unless:

(b) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an instrument, executed and delivered to the Holder, in form satisfactory to the Holder, the due and punctual payment of the principal of and accrued interest on this Note and the performance or observance of every covenant of this Note on the part of the Company to be performed or observed; and

(c) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

3.5 Limitation on Restricted Payments and Restrictions of Distributions from Subsidiaries. The Company will not permit any of its subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution on or with respect to its capital stock (other than dividends or distributions payable solely in shares of its capital stock or in options, warrants or other rights to acquired shares of such capital stock) held by Persons other than the Company or any of its subsidiaries, (ii) purchase, redeem, retire or otherwise acquire for value any shares of capital stock of (A) the Company or a subsidiary (including options, warrants or other rights to acquire such shares of capital stock) held by any Person or (B) a subsidiary (including options, warrants or other rights to acquire such shares of capital stock) held by any affiliate of the Company (other than a wholly owned subsidiary) or any holder (or any affiliate of such holder) of 5% or more of the capital stock of the Company, (iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness of the Company that is subordinated in right of payment to the Note or (iv) make any investment (other than investments in cash equivalents) in any Person (such payments or any other actions described in clauses (i) through (iv) above being collectively "Restricted Payments") without the prior written consent of the Holder.

3.6 Limitation on Transactions with Affiliates. The Company will not, and will not permit any of its subsidiaries to, directly or indirectly, enter into, renew or extend any transaction

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(including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any affiliate of the Company or any subsidiary, except upon fair and reasonable terms no less favorable to the Company or such subsidiary than could be obtained, at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor, in a comparable arm's length transaction with a Person that is not such an affiliate.

3.7 Limitation on Asset Sales. The Company will not, and will not permit any subsidiary to, consummate any Asset Sale without the prior written consent of the Holder, unless the net proceeds of such Asset Sale are used to prepay this Note in accordance with Section 2.4.

3.8 Liens. The Company shall not directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any asset, or any income or profits therefrom whether now owned or hereafter acquired, except:

(a) (i) Liens for taxes, assessments or charges of any Governmental Authority for claims that are not material and are not yet due or are being contested in good faith by appropriate proceedings and that have the effect of preventing forfeiture or sale of the assets to which such Liens attach, and, in each case, with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP; (ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, bankers and other Liens imposed by law and created in the ordinary course of business for amounts that are not material and that are not overdue by more than 30 days or that are being contested in good faith by appropriate proceedings that have the effect of preventing forfeiture or sale of the assets to which such Liens attach, and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP; (iii) Liens incurred and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance (including by way of surety bonds or appeal bonds) of tenders, bids, leases, contracts, statutory obligations or similar obligations or arising as a result of progress payments under contracts, in each case in the ordinary course of business and not relating to the repayment of debt; (iv) easements, rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, charges or encumbrances (whether or not recorded) that do not materially interfere with the ordinary conduct of business, materially detract from the value of the asset to which they attach or materially impair the use thereof; (v) building restrictions, zoning laws and other statutes, laws, rules, regulations, ordinances and restrictions; and (vi) leases or subleases granted in the ordinary course of business to others not materially interfering with the business of, and consistent with past practices of, the Company, provided that clauses (i), (ii) and (iii) shall not apply to (A) Liens in favor of any Governmental Authority for damages, losses, costs and expenses that are incurred at any time as a result of the existence of hazardous materials upon, about or beneath any real property of the Company, or (B) Liens imposed under ERISA;

(b) any attachment or judgment Lien not constituting an Event of Default;

(c) Liens upon any equipment acquired or held by the Company to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the

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acquisition of such equipment, so long as (i) such Lien extends only to the equipment financed, and any accessions, replacements, substitutions and proceeds (including insurance proceeds) thereof or thereto and (ii) such Lien attaches within 120 days of the date of acquisition of such equipment; and

(d) other Liens incidental to the conduct of the business or the ownership of the assets of the Company that (i) were not incurred in connection with borrowed money, (ii) do not in the aggregate materially detract from the value of the assets subject thereto or materially impair the use thereof in the operation of such business and (iii) do not secure obligations aggregating in excess of \$250,000.

4. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Note and the other Transaction Documents:

4.1 Failure to Pay. Company shall fail to pay (i) when due any principal payment on the due date hereunder or (ii) any interest or other payment required under the terms of this Note or any other Transaction Document on the date due; or

4.2 Breaches of Certain Covenants. Company shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Section 3 of this Note; or

4.3 Breaches of Other Covenants. Company shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or the other Transaction Documents (other than those specified in Sections 4.1 and 4.2) and such failure shall continue for fifteen (15) days; or

4.4 Representations and Warranties. Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of Company to Holder in writing in connection with this Note or any of the other Transaction Documents, or as an inducement to Holder to enter into this Note and the other Transaction Documents, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; or

4.5 Other Payment Obligations. Company shall (i) fail to make any payment when due under the terms of any bond, debenture, note or other evidence of Indebtedness to be paid by such Person (excluding this Note and the other Transaction Documents but including any other evidence of Indebtedness of Company or any of its Subsidiaries to Holder) and such failure shall continue beyond any period of grace provided with respect thereto, or (ii) default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of Indebtedness, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, Indebtedness in an aggregate amount of One Million Dollars (\$1,000,000) or more to become due prior to its stated date of maturity; or

4.6 Voluntary Bankruptcy or Insolvency Proceedings. Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors,

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(iv) be dissolved or liquidated, (v) become insolvent (as such term may be defined or interpreted under any applicable statute), (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) take any action for the purpose of effecting any of the foregoing; or

4.7 Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement; or

4.8 Judgments. A final judgment or order for the payment of money in excess of One Million Dollars (\$1,000,000) (exclusive of amounts covered by insurance issued by an insurer not an Affiliate of Company) shall be rendered against Company and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed, or any judgment, writ, assessment, warrant of attachment, or execution or similar

process shall be issued or levied against a substantial part of the property of Company and such judgment, writ, or similar process shall not be released, stayed, vacated or otherwise dismissed within thirty (30) days after issue or levy; or

4.9 Transaction Documents. Any Event of Default (as defined in any other Transaction Document) shall occur under any other Transaction Document or any Transaction Document or any material term thereof shall cease to be, or be asserted by Company not to be, a legal, valid and binding obligation of Company enforceable in accordance with its terms.

5. RIGHTS OF HOLDER UPON DEFAULT. Upon the occurrence or existence of any Event of Default (other than an Event of Default, referred to in Sections 4.6 and 4.7) and at any time thereafter during the continuance of such Event of Default, Holder may, by written notice to Company, declare all outstanding Obligations payable by Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. Upon the occurrence or existence of any Event of Default described in Sections 4.6 and 4.7, immediately and without notice, all outstanding Obligations payable by Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, Holder may exercise any other right power or remedy granted to it by the Transaction Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

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6. SUCCESSORS AND ASSIGNS. Subject to the restrictions on transfer described in Section 8 below, the rights and obligations of Company and Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

7. WAIVER AND AMENDMENT. Any provision of this Note may be amended, waived or modified upon the written consent of Company and Holder.

8. ASSIGNMENT BY COMPANY. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by Company without the prior written consent of Holder except in connection with an assignment in whole to a successor corporation to Company, provided that such successor corporation acquires all or substantially all of Company's property and assets and Holder's rights hereunder are not impaired.

9. NOTICES. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or mailed by registered or certified mail, postage prepaid, or by recognized overnight courier or personal delivery at the respective addresses of the parties as set forth in the Tax Sharing Agreement or on the register maintained by Company. Any party hereto may by notice so given change its address for future notice hereunder. Notice shall conclusively be deemed to have been given when received.

10. PAYMENT. Payment shall be made in lawful tender of the United States.

DEFAULT RATE; WAIVER; USURY LAWS. In the event that any payment of principal or interest provided for herein is not paid by Company when due (including the entire unpaid balance of this Note in the event such amount is made immediately due and payable pursuant to the terms hereof), then Company shall pay interest on the such amounts not paid when due at a rate per annum equal to the rate otherwise applicable hereunder plus two percent (2%). During any period in which an Event of Default has occurred and is continuing, Company shall pay interest on the unpaid principal balance hereof at a rate per annum equal to the rate otherwise applicable hereunder plus five percent (5%). The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim to take the benefit or advantage of, any stay or extension law or any usury law or other law

which would prohibit or forgive the Company or the Parent (in respect of the related Parent Guaranty) from paying all or any portion of the principal of or interest on the Note as contemplated herein, whenever enacted, now or at any time hereafter in force, or which may materially affect the covenants in or the performance of this Note in a manner inconsistent with the provisions of this Note and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such power as though no such law had been enacted.

11. EXPENSES; WAIVERS. If action is instituted to collect this Note, Company promises to pay all costs and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred in connection with such action. Company hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument.

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12. GOVERNING LAW. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California, or of any other state.

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IN WITNESS WHEREOF, Company has caused this Guaranty to be executed as of the date first written above.

C-CUBE SEMICONDUCTOR INC.
a Delaware corporation

By: /s/ UMESH PADVAL

Title: President and
Chief Executive Officer

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PLEDGE AGREEMENT

PLEDGE AGREEMENT dated as of May 2, 2000 at 12:15 p.m., (the "Agreement") between C-CUBE SEMICONDUCTOR INC, a Delaware corporation (the "Pledgor") and C-CUBE MICROSYSTEMS INC., a Delaware Corporation ("C-Cube"), All capitalized terms used herein, unless otherwise specifically defined in this Agreement, shall have the meanings ascribed to them in the Note (as hereinafter defined) and Guaranty (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, C-Cube has agreed to make a loan to C-Cube Semiconductor II Inc. (the "Borrower"), which will be evidenced by a Promissory Note dated May 2, 2000 at 12:15 p.m. in a principal amount of \$ 150,000,000.00 (as amended from time to time, the "Note");

WHEREAS, pursuant to a Parent Guaranty dated May 2, 2000 at 12:15 p.m. (as amended from time to time, the "Guaranty") by the Pledgor in favor of C-Cube, the Pledgor has agreed to guaranty the obligations of the Borrower under the Note;

WHEREAS, the Pledgor is the record and beneficial owner of the shares of capital stock or other equity interests listed in Schedule I hereto;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. The following shall have (unless otherwise provided elsewhere in this Agreement) the following respective meanings (such meanings being equally applicable to both the singular and plural form of the terms defined):

"Collateral Documents" means this Agreement, financing statements and all other documents executed or delivered from time to time in connection therewith or otherwise to secure the Pledgor's obligations under the Loan Documents, in each case as amended from time to time.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement or any lease in the nature thereof) and any agreement to give or refrain from giving any of the foregoing.

"Loan Documents" means, collectively, this Agreement, the Note, the Guaranty, the Collateral Documents and any other agreement, instrument or other writing executed or delivered by any Grantor in connection herewith, and all amendments, exhibits and schedules to any of the foregoing.

"Person" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated organization or any other entity or organization, including a governmental authority.

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"Pledged Collateral" has the meaning assigned to such term in Section 2 hereof.

"Pledged Entity" means an issuer of Pledged Interests.

"Pledged Interests" means those shares of capital stock and other equity interests listed on Schedule I hereto (as modified from time to time by the delivery of one or more Pledge Amendments).

"Secured Obligations" has the meaning assigned to such term in Section 3 hereof.

SECTION 2. PLEDGE. The Pledgor hereby pledges to C-Cube and grants to C-Cube a security interest in, all of the following (collectively, the "Pledged Collateral"):

(a) the Pledged Interests and any certificates representing the Pledged Interests, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Interests; and

(b) any additional shares of capital stock or other equity interests of a Pledged Entity, or any other Subsidiary of the Pledgor, from time to time acquired by the Pledgor in any manner (which shares or equity interests shall be deemed to be part of the Pledged Interests), and any certificates representing such additional shares or equity interests, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Interests.

SECTION 3. SECURITY FOR OBLIGATIONS. This Agreement secures, and the Pledged Collateral is security for, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of all Obligations of the Pledgor of any kind under or in connection with the Note and the Guaranty and all obligations of the Pledgor now or hereafter existing under this Agreement including, without limitation, all fees, costs and expenses whether in connection with collection actions hereunder or otherwise (collectively, the "Secured Obligations").

SECTION 4. DELIVERY OF PLEDGED COLLATERAL. All certificates or other instruments evidencing the Pledged Collateral shall be delivered to and held by or on behalf of C-Cube, pursuant hereto and all such certificates or instruments shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to C-Cube.

SECTION 5. REPRESENTATIONS AND WARRANTIES. The Pledgor represents and warrants to C-Cube:

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(a) Pledgor is, and at the time of delivery of the Pledged Interests to C-Cube will be, the sole holder of record and the sole beneficial owner of such Pledged Collateral pledged by Pledgor free and clear of any Lien thereon or affecting the title thereto;

(b) All of the Pledged Interests have been duly authorized, validly issued and are fully paid and non-assessable;

(c) Pledgor has all requisite, power, authority and legal right to pledge, assign, transfer, deliver, deposit and set over the Pledged Collateral pledged by Pledgor to C-Cube, as provided herein;

(d) None of the Pledged Interests has been created, issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject;

(e) All of the Pledged Interests are presently owned by the Pledgor, and with respect to certificated Pledged Interests, are presently represented by the certificates listed on Schedule I hereto. As of the date hereof, there are no existing options, warrants, calls or commitments of any character whatsoever relating to the Pledged Interests or with respect to any other capital stock of a Pledged Entity;

(f) No consent, approval, authorization or other order or other action by, and no notice to or filing with, any governmental authority or any other Person is required (i) for the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Pledgor, or (ii) for the exercise by C-Cube of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required in connection with such disposition by applicable laws;

(g) The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement creates a valid first priority Lien on and a first priority perfected security interest in favor of C-Cube in the Pledged Collateral and the proceeds thereof, securing the payment of the Secured Obligations, subject to no other Lien or adverse claim;

(h) This Agreement has been duly authorized, executed and delivered by Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable against Pledgor in accordance with its terms, subject to the effects of applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and equitable principles of general applicability;

(i) Except as specified on Schedule I hereto, the Pledged Interests constitute 100% of the issued and outstanding shares of capital stock or other equity interests of each Pledged Entity.

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The representations and warranties set forth in this Section 5 shall survive the execution and delivery of this Agreement.

SECTION 6. COVENANTS. The Pledgor covenants and agrees that until the full and complete satisfaction of the Secured Obligations (the "Termination Date"):

(a) Pledgor will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or grant a Lien in the Pledged Collateral except in favor of C-Cube;

(b) Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such actions as C-Cube from time to time may reasonably request in order to ensure to C-Cube the benefits of the Liens in and to the Pledged Collateral intended to be created by this Agreement, including the filing of any necessary Uniform Commercial Code financing statements, which may be filed by C-Cube with or (to the extent permitted by law) without the signature of Pledgor, and will cooperate with C-Cube, at Pledgor's expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such Liens or any sale or transfer of the Pledged Collateral;

(c) Pledgor has and will defend the title to the Pledged Collateral and the Liens of C-Cube, the Pledged Collateral against the claim of any Person and will maintain and preserve such Liens; and

(d) Pledgor will, upon obtaining ownership of any additional capital stock of, or equity interest in, a Pledged Entity or capital stock or other equity interest in any other Subsidiary, promptly (and in any event within three (3) Business Days) deliver to C-Cube, duly executed by Pledgor, in substantially the form of Schedule II hereto (a "Pledge Amendment") in respect of any such additional capital stock or equity interest, pursuant to which Pledgor shall pledge to C-Cube all of such additional capital stock or ownership interest. Pledgor hereby authorizes C-Cube to attach each Pledge Amendment to this Agreement and agrees that all Pledged Interests listed on any Pledge Amendment delivered to C-Cube shall for all purposes hereunder be considered Pledged Collateral; provided, however, that it is understood and agreed the security interest in the Pledged Collateral described in Section 2 hereof shall in no way be limited or impaired by the failure of the Pledgor to execute and deliver any Pledge Amendment.

SECTION 7. Pledgor'S Rights. As long as no Event of Default shall have occurred and be continuing:

(a) The Pledgor shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral, or any part thereof, for all purposes not inconsistent with the provisions of this Agreement, the Note, or the Guaranty; provided, however, that no vote shall be cast, and no consent shall be given or action taken,

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would have the effect of impairing the position or interest of C-Cube in respect of the Pledged Collateral or which would authorize, effect or consent to:

- (i) the dissolution or liquidation, in whole or in part, of a Pledged Entity;
- (ii) the consolidation or merger of a Pledged Entity with any other Person;
- (iii) the sale, disposition or encumbrance of all or substantially all of the assets of a Pledged Entity;
- (iv) any change in the authorized number of shares, ownership interests, the stated capital or the authorized share capital of a Pledged Entity or the issuance of any additional shares of its capital stock or any other ownership or equity interest therein except to the extent the same are pledged pursuant to Section 6 hereof; or
- (v) the alteration of the voting rights with respect to the capital stock or ownership interest of a Pledged Entity; and

(b) (i) The Pledgor shall be entitled, from time to time, to receive and retain for its own use all cash dividends, interest and other distributions paid in respect of the Pledged Interests to the extent not in violation of the Note other than any and all: (A) dividends, interest and other distributions paid or payable other than in cash in respect of any Pledged Collateral, and any cash or other property received, receivable or otherwise distributed in exchange for, any Pledged Collateral; and (B) dividends and other distributions paid or payable in cash in respect of any Pledged Interests in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in capital of a Pledged Entity paid, payable or otherwise distributed, in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral; provided, however, that until actually paid all rights to such distributions shall remain subject to the Lien created by this Agreement; and

(ii) all dividends and interest (other than such cash dividends, interest and other distributions as are permitted to be received and retained by the Pledgor in accordance with clause (i) above) and all other distributions in respect of any of the Pledged Interests or Pledged Indebtedness, whenever paid or made, shall be delivered to C-Cube to hold as Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of C-Cube, be segregated from the other property or funds of Pledgor, and be forthwith delivered to C-Cube as Pledged Collateral in the same form as so received (with any necessary indorsement).

SECTION 8. DEFAULTS AND REMEDIES; PROXY.

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(a) Upon the occurrence and during the continuation of an Event of Default (as defined in the Guaranty), in addition to all of the rights (and without limiting any such right) of a secured party under applicable law, including, without limitation, under the California Commercial Code, C-Cube (personally or through an agent) is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of

smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and place of any public sale or of the time at which a private sale is to take place (which notice the Pledgor agrees is commercially reasonable) the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though C-Cube was the outright owner thereof. Any sale shall be made at a public or private sale at C-Cube's place of business, or at any place to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as C-Cube may deem fair, and C-Cube may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of the Pledgor or any right of redemption. Each sale shall be made to the highest bidder, but C-Cube reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of C-Cube. THE PLEDGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS C-CUBE AS THE PROXY AND ATTORNEY-IN-FACT OF PLEDGOR WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE THE PLEDGED INTERESTS, WITH FULL POWER OF SUBSTITUTION TO DO SO. THE APPOINTMENT OF C-CUBE AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE TERMINATION DATE. IN ADDITION TO THE RIGHT TO VOTE THE PLEDGED INTERESTS, THE APPOINTMENT OF C-CUBE AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE PLEDGED INTERESTS WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, MEMBERS OR PARTNERS, AS THE CASE MAY BE, CALLING SPECIAL MEETINGS OF SHAREHOLDERS, MEMBERS OR PARTNERS, AS APPLICABLE, AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY PLEDGED INTERESTS ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE PLEDGED INTERESTS OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE AND DURING THE CONTINUATION OF

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AN EVENT OF DEFAULT. NOTWITHSTANDING THE FOREGOING, C-CUBE SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO.

(b) If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to C-Cube, in its discretion, that the proceeds of the sales of the whole of the Pledged Collateral would be unlikely to be sufficient to discharge all the Secured Obligations, C-Cube may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after ten (10) days' notice to the Borrower or the applicable Pledgor.

(c) If, at any time when C-Cube shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Act, C-Cube may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as C-Cube may deem necessary or advisable, but subject to the other requirements of this Section 8, and shall not be required to effect such registration

or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event, C-Cube in its discretion (x) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under said Act (or similar statute), (y) may approach and negotiate with a single possible purchaser to effect such sale, and (z) may restrict such sale to a purchaser who is an accredited investor under the Act and who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or any part thereof. In addition to a private sale as provided above in this Section 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 8, then C-Cube shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions:

(i) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale;

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(ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof;

(iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about Pledgor and such Person's intentions as to the holding of the Pledged Collateral so sold for investment for its own account and not with a view to the distribution thereof; and

(iv) as to such other matters as C-Cube may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(d) The Pledgor recognizes that C-Cube may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (c) above. The Pledgor also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. C-Cube shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Pledged Entity to register such securities for public sale under the Act, or under applicable state securities laws, even if the applicable Pledgor and the Pledged Entity would agree to do so.

(e) The Pledgor agrees to the maximum extent permitted by applicable law that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and the Pledgor waives the benefit of all such laws to the extent it lawfully may do so. The Pledgor agrees that it will not interfere with any right, power and remedy of C-Cube provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by C-Cube of any one or more of such rights, powers or

remedies. No failure or delay on the part of C-Cube to exercise any such right, power or remedy and no notice or demand which may be given to or made upon the applicable Pledgor by C-Cube with respect to any such remedies shall operate as a waiver thereof, or limit or impair C-Cube's right to take any action or to

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exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against the Pledgor in any respect.

(f) The Pledgor further agrees that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to C-Cube, that C-Cube shall have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 8 shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations.

SECTION 9. WAIVER. No delay on C-Cube's part in exercising any power of sale, Lien, option or other right hereunder, and no notice or demand which may be given to or made upon the Pledgor by C-Cube with respect to any power of sale, Lien, option or other right hereunder, shall constitute a waiver thereof, or limit or impair C-Cube's right to take any action or to exercise any power of sale, Lien, option, or any other right hereunder, without notice or demand, or prejudice C-Cube's rights as against the Pledgor in any respect.

SECTION 10. ASSIGNMENT. C-Cube may assign, indorse or transfer any instrument evidencing all or any part of the Secured Obligations as provided in, and in accordance with, the Note and/or the Guaranty, and the holder of such instrument shall be entitled to the benefits of this Agreement.

SECTION 11. TERMINATION. Immediately following the payment in full of the Secured Obligations, C-Cube shall deliver to the Pledgor the Pledged Collateral pledged by the Pledgor at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the Liens hereof and, except as otherwise provided herein, all of the Pledgor's obligations hereunder shall at such time terminate.

SECTION 12. LIEN ABSOLUTE. All rights of C-Cube hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Note, the Guaranty, or any other agreement or instrument governing or evidencing any Secured Obligations;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Note, the Guaranty or any other agreement or instrument governing or evidencing any Secured Obligations;

(c) any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;

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(d) the insolvency of the Pledgor; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Pledgor other than payment in full of the Secured Obligations.

SECTION 13. WAIVER OF DEFENSES. (a) The Pledgor acknowledges that the

obligations undertaken herein involve the granting of security for obligations of Persons other than that of the Pledgor and, in full recognition of that fact, consents and agrees that C-Cube may, at any time and from time to time, in accordance with the terms of the Loan Documents, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (i) supplement, modify, amend, extend, renew, accelerate or otherwise change the time for payment or the terms of the Secured Obligations or any part thereof, including any increase or decrease of the rate(s) of interest thereon; (ii) supplement, modify, amend or waive, or enter into or give any agreement, approval or consent with respect to, the Secured Obligations or any part thereof, or any of the Loan Documents to which the Pledgor is not a party or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation or term thereof or thereunder; (iii) accept new or additional instruments, documents or agreements in exchange for or relative to any of the Loan Documents or the Secured Obligations or any part thereof; (iv) accept partial payments on the Secured Obligations; (v) receive and hold additional security or guaranties for the Secured Obligations or any part thereof; (vi) release, reconvey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer and/or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as C-Cube in its sole and absolute discretion may determine; (vii) release any Person from any personal liability with respect to the Secured Obligations or any part thereof; (viii) settle, release on terms satisfactory to C-Cube or by operation of applicable laws or otherwise liquidate or enforce any Secured Obligations and any security or guaranty therefor in any manner, consent to the transfer of any security and bid and purchase at any sale; and/or (ix) consent to the merger, or consent to any change or any other restructuring or termination of the corporate existence of the Borrower or any other Person, and correspondingly restructure the Secured Obligations, and any such merger, change, restructuring or termination shall not affect the liability of the Pledgor or the continuing effectiveness hereof, or the enforceability hereof with respect to all or any part of the Secured Obligations.

(b) Upon the occurrence and during the continuance of any Event of Default, C-Cube may enforce this Agreement independently as to the Pledgor and independently of any other remedy or security C-Cube at any time may have or hold in connection with the Secured Obligations. The Pledgor expressly waives any right to require C-Cube to marshal assets in favor of the Borrower, or upon or against any security or remedy, before proceeding to enforce this Agreement, in such order as it shall determine in its sole and absolute discretion. C-Cube may file a separate action or actions against the Borrower without respect to whether action is brought or prosecuted with respect to any security or against any other Person, or whether any other Person is joined in any such action or actions. The Pledgor agrees that C-Cube and the

Borrower and any Affiliates of the Borrower may deal with each other in connection with the Secured Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between any of them, in any manner whatsoever, all without in any way altering or affecting the security of this Agreement. C-Cube's rights hereunder shall be reinstated and revived, and the enforceability of this Agreement shall continue, with respect to any amount at any time paid on account of the Secured Obligations which thereafter shall be required to be restored or returned by C-Cube upon the bankruptcy, insolvency or reorganization of the Borrower or any other Person, or otherwise, all as though such amount had not been paid. The rights of C-Cube created or granted herein and the enforceability of this Agreement with respect to the Pledgor at all times shall remain effective to guaranty the full amount of all the Secured Obligations even though the Secured Obligations, or any part thereof, or any security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against the Borrower or any surety and whether or not the Borrower or other surety shall have any personal liability with respect thereto. The Pledgor expressly waives any and all defenses now or hereafter arising or asserted by reason of (i) any disability or other defense of the Borrower with respect to the Secured Obligations, (ii) the unenforceability or invalidity of any security or guaranty for the Secured Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Secured Obligations,

(iii) the cessation for any cause whatsoever of the liability of the Borrower (other than by reason of the full payment and performance of all Secured Obligations), (iv) any failure of C-Cube to marshal assets in favor of the Borrower or any other Person, (v) any act or omission of C-Cube or others that directly or indirectly results in or aids the discharge or release of the Borrower or other surety or the Secured Obligations or any guaranty therefor by operation of law or otherwise, (vi) any applicable law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation, (vii) any failure of C-Cube to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person, (viii) the election by C-Cube, in any bankruptcy proceeding of any Person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code, (ix) any extension of credit or the grant of any Lien under Section 364 of the United States Bankruptcy Code, (x) any use of cash collateral under Section 363 of the United States Bankruptcy Code, (xi) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person, (xii) the avoidance of any Lien in favor of C-Cube for any reason, (xiii) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any of the Secured Obligations (or any interest thereon) in or as a result of any such proceeding, or (xiv) any action taken by C-Cube that is authorized by this Section or any other provision of any Loan Document. The Pledgor expressly waives all setoffs and counterclaims and all presentment, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Secured Obligations (except notices expressly required by the Loan Documents), and all notices of acceptance of this Agreement or of the existence, creation or incurrence of new or additional Secured Obligations.

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SECTION 14. REINSTATEMENT. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against the Pledgor or any Pledged Entity for liquidation or reorganization, should the Pledgor or any Pledged Entity become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Pledgor's or a Pledged Entity's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

SECTION 15. MISCELLANEOUS.

(a) C-Cube may execute any of its duties hereunder by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

(b) The Pledgor agrees to promptly reimburse C-Cube for actual out-of-pocket expenses, including, without limitation, reasonable counsel fees, incurred by C-Cube in connection with the enforcement of this Agreement.

(c) None of C-Cube or any of its respective officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

(d) THIS AGREEMENT SHALL BE BINDING UPON THE PLEDGOR AND ITS SUCCESSORS AND ASSIGNS (INCLUDING A DEBTOR-IN-POSSESSION ON BEHALF OF THE PLEDGOR), AND SHALL INURE TO THE BENEFIT OF, AND BE ENFORCEABLE BY, C-CUBE AND

ITS SUCCESSORS AND ASSIGNS, AND NONE OF THE TERMS OR PROVISIONS OF THIS AGREEMENT MAY BE WAIVED, ALTERED, MODIFIED OR AMENDED EXCEPT IN WRITING DULY SIGNED FOR AND ON BEHALF OF C-CUBE AND PLEDGOR.

SECTION 16. SEVERABILITY. If for any reason any provision or provisions hereof are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or effect those portions of this Agreement which are valid.

SECTION 17. NOTICES. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of

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the parties desires to give or serve upon any other a communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in accordance with the terms of the Guaranty.

SECTION 18. GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

SECTION 19. WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTY HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 20. SECTION TITLES. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

SECTION 21. ADVICE OF COUNSEL. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Section 18 and Section 19, with its counsel.

SECTION 22. BENEFIT OF C-CUBE. All Liens granted or contemplated hereby shall be for the benefit of C-Cube, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Note.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

C-CUBE SEMICONDUCTOR INC., AS PLEDGOR

By: /s/ UMESH PADVAL

Name: Umesh Padval
Title: President and

Chief Executive Officer

C-CUBE MICROSYSTEMS INC.

By: /s/ ALEXANDRE BALKANSKI

Name: Alexandre Balkanski
Title: President and
Chief Executive Officer

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SCHEDULE I

PLEDGED INTERESTS

PLEDGED ENTITY	EQUITY INTEREST	CLASS OF STOCK	CERTIFICATE NUMBER(S)	NUMBER OF SHARES AND % OF EQUITY INTEREST
C-Cube Semiconductor II Inc.	N/A	Common	CS-1, CS-2	1,000,000 over 99% equity interest

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SCHEDULE II

PLEDGE AMENDMENT

This Pledge Amendment, dated _____, _____ is delivered pursuant to Section 6(d) of the Pledge Agreement referred to below. All defined terms herein shall have the meanings ascribed thereto or incorporated by reference in the Pledge Agreement. The undersigned hereby certifies that the representations and warranties in Section 5 of the Pledge Agreement are and continue to be true and correct as to the Pledged Collateral pledged prior to this Pledge Amendment and as to Pledged Collateral pledged pursuant to this Pledge Amendment. The undersigned further agrees that this Pledge Amendment may be attached to that certain Pledge Agreement, dated as of May 2, 2000 at 12:15 p.m. (as the same may be amended, supplemented or otherwise modified from time to time, the "Pledge Agreement"), among the undersigned, as a Pledgor, and C-CUBE MICROSYSTEMS INC. ("C-Cube"), and that the Pledged Interests listed on Schedule A to this Pledge Amendment shall be and become a part of the Pledged Collateral referred to in said Pledge Agreement and shall secure all Secured Obligations referred to in said Pledge Agreement. The undersigned acknowledges that any shares not included in the Pledged Collateral at the discretion of C-Cube may not otherwise be pledged by Pledgor to any other Person or otherwise used as security for any obligations other than the Secured Obligations.

C-CUBE SEMICONDUCTOR INC.

By: _____

Name:
Title:

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SCHEDULE A

PLEDGED INTERESTS

PLEDGED ENTITY	EQUITY INTEREST	CLASS OF STOCK	CERTIFICATE NUMBER(S)	NUMBER OF SHARES AND % OF EQUITY INTEREST
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PARENT GUARANTY

THIS PARENT GUARANTY, dated as of May 2, 2000 at 12:15 p.m. (this "Guaranty"), is executed by C-Cube Semiconductor Inc., a Delaware corporation ("Parent"), in favor of C-Cube Microsystems Inc., a Delaware corporation ("Lender").

RECITALS

A. Pursuant to a Promissory Note, dated as of May 2, 2000 at 12:15 p.m. (the "Note"), executed in favor of Lender by C-Cube Semiconductor II Inc., a Delaware corporation, of which Parent is the majority stockholder ("Borrower"), Lender has agreed to extend credit to Borrower upon the terms and subject to the conditions set forth therein.

B. Lender's obligation to extend the credit to Borrower under the Note is subject, among other conditions, to receipt by Lender of this Guaranty, duly executed by Parent.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Parent hereby agrees with Lender as follows:

1. Definitions and Interpretation. When used in this Guaranty, the following terms shall have the following respective meanings:

"Bankruptcy Code" shall mean Title 11 of the United States Code (11 U.S.C. Section 101 et seq.) or any replacement or supplemental federal statutes dealing with the bankruptcy of debtors.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of Parent; or (b) the rights and remedies of Lender under this Guaranty, the Note, the other Transaction Documents or any related document, instrument or agreement.

"Obligations" shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Borrower to Lender of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising (or which would become due or arise but for the operation of any provision or doctrine with respect to the Bankruptcy Code and whether or not an allowed claim) pursuant to the terms of the Note or any of the other Transaction Documents, including without limitation all interest, fees, charges, expenses, attorneys' fees and accountants' fees chargeable to Borrower or payable by Borrower thereunder. "Obligations" shall also include all "Obligations" as defined in the Note.

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Unless otherwise defined herein, all other capitalized terms used herein and defined in the Note shall have the respective meanings given to those terms in the Note. The rules of construction set forth in the Note shall, to the extent not inconsistent with the terms of this Guaranty, apply to this Guaranty and are hereby incorporated by reference. Parent acknowledges receipt of copies of the Note and the other Transaction Documents.

2. Continuing Guaranty. Parent unconditionally guarantees and promises to pay to Lender at Lender's office located at the address set forth in Paragraph 8(a) hereof, on demand after the occurrence and during the continuance of an Event of Default, in lawful money of the United States, any and all Obligations, and to perform on demand after the occurrence and during the continuance of an Event of Default any and all Obligations. Parent's undertaking to guarantee shall not apply to any Obligations created after actual receipt by Lender of written notice of Parent's revocation as to future transactions;

provided, however, that (i) it shall continue to be applicable to any Obligations created thereafter which result because payments of Obligations as to past transactions are rescinded or otherwise required to be surrendered by Lender after receipt; and, (ii) it shall continue to be applicable to any Obligations created thereafter which are created pursuant to any binding commitments of Lender. The liability of Parent hereunder is independent of the Obligations, and a separate action or actions may be brought and prosecuted against Parent irrespective of whether action is brought against Borrower or any other guarantor of the Obligations or whether Borrower or any other guarantor of the Obligations is joined in any such action or actions. This Guaranty is a guaranty of payment and not of collection.

3. Representations and Warranties. Parent represents and warrants to Lender that (a) Parent is a corporation duly organized, validly, existing and in good standing under the laws of its state of incorporation and is duly qualified and in good standing in each jurisdiction where the nature of its business or properties requires such qualification, except where the failure to qualify could not reasonably be expected to have a Material Adverse Effect; (b) the execution, delivery and performance by Parent of this Guaranty are within the power of Parent and have been duly authorized by all necessary actions on the part of Parent; (c) this Guaranty has been duly executed and delivered by Parent and constitutes a legal, valid and binding obligation of Parent, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally; (d) the execution, delivery and performance of this Guaranty do not (i) violate any laws, rules or regulations applicable to Parent, (ii) contravene any material contractual obligation of Parent, or (iii) result in the creation or imposition of any Lien upon any property, asset or revenue of Parent; (e) no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority or other person or entity (including, without limitation, the shareholders of any Parent) is required in connection with the execution, delivery and performance of this Guaranty, except such consents, approvals, orders, authorizations, registrations, declarations and filings that are so required and which have been obtained and are in full force and effect; (f) Parent has paid all taxes and other charges imposed by any governmental authority due and payable by Parent other than those which are being challenged in good faith by appropriate proceedings and for which adequate reserves have been established; (g) Parent is not in violation of any law, rule or regulation or contractual obligation other than those the consequences of which could not reasonably be expected to have a Material

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Adverse Effect; (h) Parent is neither an investment company (as defined in the Investment Company Act of 1940) nor controlled by an investment company; (i) no litigation, investigation or proceeding of any governmental authority is pending or, to the knowledge of Parent, threatened against Parent which, if adversely determined, could reasonably be expected to have a Material Adverse Effect; and (j) the Pro-Forma Financial Statements of Parent for the fiscal year ended December 31, 1999, were prepared in accordance with generally accepted accounting principles and present fairly the financial condition of Parent as at such date and the results of operations and changes in financial position for such period.

4. Covenants. Parent hereby agrees (a) to deliver to Lender (i) notice of any Event of Default or of any other event or condition which could reasonably be expected to have a Material Adverse Effect, and (ii) such other information regarding business, operations or financial or other condition of Parent as Lender may reasonably request; (b) to the extent failure to do so could have a Material Adverse Effect, to pay all taxes and other charges imposed by any government authority upon Parent or its property as and when they become due; (c) to the extent failure to do so could reasonably be expected to have a Material Adverse Effect, to comply with all laws, rules and regulations and contractual obligations; and (d) to maintain its corporate existence and all rights, privileges and franchises necessary for the conduct of its business.

5. Authorized Actions. Parent authorizes Lender, in its discretion, without notice to Parent, irrespective of any change in the financial condition of Borrower, Parent or any other guarantor of the Obligations since the date hereof, and without affecting or impairing in any way the liability of Parent

hereunder, from time to time to (a) create new Obligations, and, either before or after receipt of notice of revocation, renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise change the terms of the Obligations or any part thereof, including increase or decrease of the rate of interest thereon; (b) take and hold security for the payment or performance of the Obligations and exchange, enforce, waive or release any such security; (c) apply such security and direct the order or manner of sale thereof; (d) purchase such security at public or private sale; (e) otherwise exercise any right or remedy it may have against Borrower, Parent, any other guarantor of the Obligations or any security, including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale; (f) settle, compromise with, release or substitute any one or more makers, endorsers or guarantors of the Obligations; and (g) assign the Obligations, this Guaranty, or the other Transaction Documents in whole or in part.

6. Waivers. Parent waives (a) any right to require Lender to (i) proceed against Borrower or any other guarantor of the Obligations, (ii) proceed against or exhaust any security received from Borrower or any other guarantor of the Obligations, or (iii) pursue any other remedy in Lender's power whatsoever; (b) any defense arising by reason of the application by Borrower of the proceeds of any borrowing; (c) any defense resulting from the absence, impairment or loss of any right of reimbursement, subrogation, contribution or other right or remedy of Parent against Borrower, any other guarantor of the Obligations or any security, whether resulting from an election by Lender to foreclose upon security by nonjudicial sale, or otherwise; (d) any setoff or counterclaim of Borrower or any defense which results from any disability or other defense of Borrower or the

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cessation or stay of enforcement from any cause whatsoever of the liability of Borrower (including, without limitation, the lack of validity or enforceability of any Transaction Document); (e) any right to exoneration of sureties which would otherwise be applicable; (f) so long as any Obligations remain outstanding, any right of subrogation or reimbursement and, if there are any other guarantors of the Obligations, any right of contribution, and right to enforce any remedy which Lender now has or may hereafter have against Borrower, and any benefit of, and any right to participate in, any security now or hereafter received by Lender; (g) all presentments, demands for performance, notices of non-performance, notices delivered under the Note or any Transaction Document, protests, notice of dishonor, and notices of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Obligations and notices of any public or private foreclosure sale; (h) the benefit of any statute of limitations to the extent permitted by law; (i) any appraisal, valuation, stay, extension, moratorium redemption or similar law or similar rights for marshalling; and (j) any right to be informed by Lender of the financial condition of Borrower or any other guarantor of the Obligations or any change therein or any other circumstances bearing upon the risk of nonpayment or nonperformance of the Obligations. Parent has the ability and assumes the responsibility for keeping informed of the financial condition of Borrower and any other guarantors of the Obligations and of other circumstances affecting such nonpayment and nonperformance risks.

7. Subordination of Debt to Parent. Parent hereby subordinates any indebtedness of Borrower to Parent to the Obligations. Parent agrees that Lender shall be entitled to receive payment of all Obligations before Parent receives payment of any indebtedness of Borrower to Parent. Any payments on such indebtedness of Borrower to Parent, if Lender so requests, shall be collected, enforced and received by Parent as trustee for Lender and be paid over to Lender on account of the Obligations, but without reducing or affecting in any manner the liability of Parent under the other provisions of this Guaranty. Lender is authorized and empowered (but without any obligation to so do), in its discretion, (a) in the name of Parent, to collect and enforce, and to submit claims in respect of, indebtedness of Borrower to Parent and to apply any amounts received thereon to the Obligations, and (b) to require Parent (i) to collect and enforce, and to submit claims in respect of, indebtedness of Borrower to Parent, and (ii) to pay any amounts received on such indebtedness to Lender for application to the Obligations.

8. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices,

requests, demands, consents, instructions or other communications to or upon Lender or Parent under this Guaranty shall be by telecopy or in writing and telecopied, mailed, telexed or delivered to each party at telecopier number or its address set forth below. All such notices and communications: when sent by federal express or other overnight service, shall be effective on the Business Day following the deposit with such service; when mailed, first class postage prepaid and addressed as aforesaid in the mails, shall be effective upon receipt; when telexed, shall be effective upon receipt of answerback; when delivered by hand, shall be effective upon delivery; and when telecopied, shall be effective upon confirmation of receipt.

Lender: HARMONIC INC.

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549 Baltic Way
Sunnyvale, California 94089
Tel: 408-542-2500
Fax: 408-542-2516

Borrower: C-CUBE SEMICONDUCTOR II INC.
1778 McCarthy Blvd.
Milpitas, California
Tel: (408) 590-8000
Fax: _____

(b) Nonwaiver. No failure or delay on Lender's part in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) Amendments and Waivers. This Guaranty may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Parent and Lender. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) Assignments. This Guaranty shall be binding upon and inure to the benefit of Lender and Parent and their respective successors and assigns; provided, however, that Parent and Lender may sell, assign and delegate their respective rights and obligations hereunder only as permitted by the Loan Agreement.

(e) Cumulative Rights, etc. The rights, powers and remedies of Lender under this Guaranty shall be in addition to all rights, powers and remedies given to Lender by virtue of any applicable law, rule or regulation of any Governmental Authority, the Loan Agreement, any other Operative Document or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Lender's rights hereunder.

(f) Partial Invalidity. If at any time any provision of this Guaranty is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guaranty nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

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(g) Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

(h) Jury Trial. EACH OF PARENT AND LENDER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY.

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IN WITNESS WHEREOF, Parent has caused this Guaranty to be executed as of the day and year first above written.

C-CUBE SEMICONDUCTOR INC.

By: /s/ UMESH PADVAL

Name: Umesh Padval
Title: President and Chief
Executive Officer

[HARMONIC LOGO]

FOR IMMEDIATE RELEASE

CONTACTS:

Robin N. Dickson
Chief Financial Officer
Harmonic Inc.
(408) 542-2500

Joyce Smaragdis
Public Relations Manager
Harmonic Inc.
(408) 542-2692

Michael Newman
Investor Relations
StreetConnect
(408) 542-2760

HARMONIC COMPLETES ACQUISITION OF THE DIVICOM BUSINESS OF
C-CUBE MICROSYSTEMS INC.

SUNNYVALE, CA - MAY 3, 2000 - Harmonic Inc. (Nasdaq: HLIT) announced it has completed its acquisition of the DiviCom business of C-Cube Microsystems Inc. today. This acquisition was effected through the merger of Harmonic with C-Cube Microsystems after the spin off of C-Cube Microsystems' semiconductor business yesterday. Harmonic, including the DiviCom business, will provide open-systems solutions for delivering video, voice and data over cable, satellite, telco and wireless networks.

C-Cube Microsystems stockholders received 0.5427 shares of Harmonic common stock for each share of C-Cube Microsystems common stock they owned as of March 22, 2000. C-Cube Microsystems stockholders also received shares of the semiconductor business in the spin-off effected yesterday.

"Harmonic is strongly positioned to enable broadband communications over any network," said Anthony Ley, Harmonic's Chairman, President and Chief Executive Officer. "We are now offering the most advanced fiber optic, digital video, and IP data delivery solutions available in the market. With a strong commitment to innovation and open-standard system solutions, Harmonic will be a key force in bringing about a new era in interactive communications."

ABOUT HARMONIC INC.

Harmonic is a leading provider of innovative broadband solutions that deliver video, voice and data to communications providers around the world. Harmonic's technically advanced fiber optic, digital video and IP data delivery systems enable network operators to provide a range of interactive and advanced digital services that include high-speed Internet access, telephony, digital video, HDTV, video & audio streaming, and video-on-demand.

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Headquartered in Sunnyvale, Calif., Harmonic employs approximately 950 people and operates more than 15 R&D and sales & system integration centers globally. Harmonic had revenues of approximately \$370 million in 1999 (on a proforma basis) to a customer base that includes the world's largest communications providers. Harmonic's stock is traded on the Nasdaq stock market under the symbol "HLIT." For more information, check the company's website at www.harmonicinc.com.

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This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth in the company's Forms 10-K and 10-Q reports and other filings of the company with the Securities and Exchange Commission. The reader is cautioned not to put undue reliance on these forward-looking statements, which are not a guarantee of future performance.

Harmonic is a registered trademark of Harmonic Inc. All other trademarks or registered trademarks are property of their respective owners.